

## Contingencies and Reserves

### DESCRIPTION OF MAJOR SERVICES

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations which could not have reasonably been anticipated at the time the budget was prepared. Funding for contingencies is targeted at 1.5% of locally funded appropriations. The contingency budget also includes an annual base allocation of \$1,000,000 for priority district and program needs. Final budget action includes a provision that allocates any difference between estimated and final fund balance to contingencies.

County reserves include both general purpose and specific purpose reserves. General purpose reserves are funds held to protect the county from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. Board policy requires the establishment of an ongoing general purpose reserve for the general fund targeted at 10% of locally funded appropriations. Specific reserves are funds held to meet future known obligations or to build a reserve for capital projects.

### BUDGET AND WORKLOAD HISTORY

	<b>Actual 2002-03</b>	<b>Budget 2003-04</b>	<b>Actual 2003-04</b>	<b>Budget 2004-05</b>
1.5% of Locally Funded Appropriations	-	5,223,535	-	5,582,115
Set Aside for Future Retirement Costs	-	-	-	7,900,000
Set Aside for Specific Uncertainties	-	62,180,848	-	92,823,560
Transfers - Priority Policy Needs	477,221	3,167,983	1,146,760	3,021,223
Total Contingencies	477,221	70,572,366	1,146,760	109,326,898

Actual uses of contingencies are reflected in departmental budget units.

#### Contingencies

A base allocation to the contingency budget of \$5,582,115 is established pursuant to Board policy, based on projected locally funded appropriations of \$372.1 million. An additional base allocation of \$1,000,000 (transfers) is established for priority district and program needs. The Board also established a new set-aside of ongoing money for future retirement costs in the amount of \$7,900,000.

In final budget action, the Board allocated \$92,823,560 of available financing to the set aside for specific uncertainties. Specific uncertainties include uncertainty surrounding state finances, and rising local expenses. The Board also re-appropriated the unspent allocation of \$2,021,223 of the 2003-04 priority needs to the 2004-05 budget bringing the total to \$3,021,223.

#### Reserves

For 2004-05 general-purpose reserves are increased by \$2.4 million to conform to the Board policy. This increase is based on projected locally funded appropriations of \$372.1 million and brings the balance of general-purpose reserves to \$37.2 million. The Museum Hall of Paleontology Reserve is increased by \$1.0 million. Uses of \$154,301 of the Equity Pool reserve are planned to fund the 2004-05 costs of approved equity adjustments. A planned use of \$1.0 million of the Justice Facilities reserve will be used to offset a portion of the cost of the most recent approved safety MOU.



	2002-03 Ending Balance	2003-04		2004-05		Estimated 30-Jun-05 Balance
		Approved Contributions	Approved Uses	Recommended Contributions	Recommended Uses	
<b>General Purpose Reserve</b>	<b>31,936,310</b>	<b>2,887,258</b>		<b>2,390,532</b>		<b>37,214,100</b>
<b>Specific Purpose Reserves</b>						
Medical Center Debt Service	32,074,905					32,074,905
Teeter Reserve	19,260,087					19,260,087
Restitution Reserve	2,114,234					2,114,234
Retirement Reserve	7,000,000					7,000,000
Justice Facilities Reserve	4,885,408		(1,178,971)		(1,000,000)	2,706,437
West Valley Maximum Security	1,492,986					1,492,986
Equity Pool Reserve	1,877,144	3,000,000	(495,152)		(154,301)	4,227,691
Insurance Reserve	5,000,000		(2,000,000)			3,000,000
Electronic Voting Reserve	5,700,000		(5,700,000)			0
Capital Projects Reserve	4,000,000					4,000,000
Pepper & Valley Intersection Reserve	0					0
Bark Beetle Reserve	0	2,000,000	(169,700)			1,830,300
Reserve for Museum's Hall of Paleontology	0	1,000,000	(135,000)	1,000,000		1,865,000
Library Facility/Book Reserve	0					0
L&J SWBPI		3,405,626				3,405,626
<b>Total Specific Purpose</b>	<b>83,404,764</b>	<b>9,405,626</b>	<b>(9,678,823)</b>	<b>1,000,000</b>	<b>(1,154,301)</b>	<b>82,977,266</b>
<b>Total Reserves</b>	<b>115,341,074</b>					<b>120,191,366</b>

### 2003-04 Contributions and Uses

As part of the 2003-04 final budget the Board approved the use of \$1.0 of the Justice Facilities Reserve to offset a portion of the first year cost of the safety MOU. The Board also approved the use of \$160,949 of the Equity Pool to fund the 2003-04 costs of equity increases in the District Attorney, Public Defender and Assessor departments that were approved by the Board in 2002-03. Planned contributions for 2003-04 included \$2.9 million to the general purpose reserve; \$3.0 million to the Equity Pool reserve, which was established in 2002-03 to fund equity studies for the county's general employees pursuant to the MOU; an additional \$2.0 million to the Bark Beetle reserve; and \$1.0 million for the Museum's Hall of Paleontology.

For 2003-04 mid-year Board actions authorized the use of:

- The \$5.7 million Electronic Voting System reserve to pay the local share of the cost of the new electronic voting system. The State mandated that the county change from a punch card to electronic voting system by January of 2004.
- \$169,700 of the Bark Beetle Reserve to provide a reverse 9-1-1 warning system service that could be used to warn or advise affected County residents of the potential for fire, flood, or other emergency circumstances in the County. This amount is the estimated first year cost of the service.
- \$178,971 of the Justice Facilities reserve to remodel the county building in Big Bear. This project will create jury assembly and deliberation rooms; provide additional space for the District Attorney, Public Defender, and Probation departments to meet five to ten year projected growth; create a Sheriff's men's locker room; relocate Sheriff's Court Services; and bring the county building in Big Bear into compliance with the Americans with Disabilities Act (ADA).
- \$135,000 of the Museum Hall of Paleontology reserve was appropriated to assist with the facility's construction and exhibit design costs.
- \$334,203 of the Equity Pool Reserve, which included \$292,750 to be spent on classification consulting services and \$41,453 to be spent on staff reclassifications in the Public Defender and Sheriff departments.
- \$2.0 million of the insurance reserve to finance Risk Management claims expenditures for the duration of 2003-04.

The Board also established a new reserve, the Law and Justice Southwest Border Prosecution Initiative reserve. This reserve is funded with cost reimbursements received from the federal government as part of their Southwest Border Prosecution Initiative. These reimbursements recover a portion of county dollars expended on the prosecution of federal cases. The purpose of the reserve is to fund future law and justice projects that support and enhance prosecutorial and detention services. The initial deposit to this reserve, \$3,405,626, equals the amount of reimbursement received to date.

